

**HEALING HOUSE, INC.  
AND SUBSIDIARIES**

**Consolidated Financial Statements  
and Independent Auditors' Report**

**December 31, 2024 and 2023**

# HEALING HOUSE, INC. AND SUBSIDIARIES

## Table of Contents

	<u>Page</u>
Independent Auditors' Report .....	1-2
Financial Statements	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities .....	4-5
Consolidated Statements of Functional Expenses .....	6
Consolidated Statements of Cash Flows .....	7
Notes to Consolidated Financial Statements .....	8-16



# **Hutchins & Haake, LLC**

Certified Public Accountants

College Boulevard and Quivira  
11900 College Boulevard, Suite 341  
Overland Park, KS 66210  
Phone (913) 338-4455  
Fax (913) 338-4458

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors of  
Healing House, Inc. and Subsidiaries  
Kansas City, Missouri

### **Opinion**

We have audited the accompanying financial statements of Healing House, Inc. and its Subsidiaries (a Missouri non-profit organization), which comprise the statements of financial position as of December 31, 2024 and 2023 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Healing House, Inc. and Subsidiaries as of December 31, 2024 and 2023, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Healing House, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Healing House, Inc. and subsidiaries ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Healing House, Inc. and Subsidiaries internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Healing House, Inc. and Subsidiaries ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Hutchins & Haake, LLC*

Hutchins & Haake, LLC  
Certified Public Accountants

September 29, 2025  
Overland Park, Kansas

**HEALING HOUSE, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Financial Position**  
**December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 409,265	\$ 350,772
Certificates of deposit	-	200,000
Accounts receivable	83,339	73,977
Grants receivable	43,845	42,798
Other current assets	3,847	-
Total current assets	<u>540,296</u>	<u>667,547</u>
Property and equipment, net	7,696,988	7,586,015
Operating lease right of use asset	282,689	294,091
Investment in Lykins NT Holdings, LLC	46,463	53,312
Total noncurrent assets	<u>8,026,140</u>	<u>7,933,418</u>
 Total assets	 <u><u>\$ 8,566,436</u></u>	 <u><u>\$ 8,600,965</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Current portion of notes payable	\$ 130,471	\$ 142,252
Accounts payable & credit cards	99,689	61,442
Current portion of operating lease liability	11,906	11,401
Payroll liabilities	4,637	4,241
Security deposit	32,920	29,675
Total current liabilities	<u>279,623</u>	<u>249,011</u>
Notes payable, net of current portion	3,202,200	3,323,393
Operating lease liability, net of current portion	270,783	282,690
Total liabilities	<u>3,752,606</u>	<u>3,855,094</u>
Net assets:		
Without donor restrictions	4,375,728	4,303,077
With donor restrictions	438,102	442,794
Total net assets	<u>4,813,830</u>	<u>4,745,871</u>
 Total liabilities and net assets	 <u><u>\$ 8,566,436</u></u>	 <u><u>\$ 8,600,965</u></u>

*The accompanying notes are an integral part of these financial statements.*

# HEALING HOUSE, INC. AND SUBSIDIARIES

## Consolidated Statement of Activities

For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and public support:			
Government grants	\$ 995,571	\$ -	\$ 995,571
Contributions and foundation grants	954,127	260,694	1,214,821
Program service revenue	1,308,999	-	1,308,999
In-kind contributions of non-financial assets	62,539	-	62,539
Rental income	28,660	-	28,660
Other income	142,830	-	142,830
Total public support and revenues	<u>3,492,726</u>	<u>260,694</u>	<u>3,753,420</u>
Special event revenues	331,907	-	331,907
Less: Cost of direct benefit to donors	(39,630)	-	(39,630)
Net contributions from special events	<u>292,277</u>	<u>-</u>	<u>292,277</u>
Net assets released from restrictions	<u>265,386</u>	<u>(265,386)</u>	<u>-</u>
	<u>4,050,389</u>	<u>(4,692)</u>	<u>4,045,697</u>
Expenses:			
Program	3,166,540	-	3,166,540
Administrative	520,114	-	520,114
Fundraising	291,084	-	291,084
	<u>3,977,738</u>	<u>-</u>	<u>3,977,738</u>
Change in net assets	72,651	(4,692)	67,959
Net assets, beginning of year	<u>4,303,077</u>	<u>442,794</u>	<u>4,745,871</u>
Net assets, end of year	<u>\$ 4,375,728</u>	<u>\$ 438,102</u>	<u>\$ 4,813,830</u>

The accompanying notes are an integral part of these financial statements.

# HEALING HOUSE, INC. AND SUBSIDIARIES

## Consolidated Statement of Activities

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and public support:			
Government grants	\$ 833,461	\$ -	\$ 833,461
Contributions and foundation grants	1,119,678	24,851	1,144,529
Program service revenue	1,226,935	-	1,226,935
In-kind contributions of non-financial assets	277,694	-	277,694
Rental income	36,910	-	36,910
Other income	154,507	-	154,507
Total public support and revenues	<u>3,649,185</u>	<u>24,851</u>	<u>3,674,036</u>
Special event revenues	258,033	-	258,033
Less: Cost of direct benefit to donors	(27,187)	-	(27,187)
Net contributions from special events	<u>230,846</u>	<u>-</u>	<u>230,846</u>
Net assets released from restrictions	<u>189,674</u>	<u>(189,674)</u>	<u>-</u>
	<u>4,069,705</u>	<u>(164,823)</u>	<u>3,904,882</u>
Expenses:			
Program	3,182,923	-	3,182,923
Administrative	363,553	-	363,553
Fundraising	271,607	-	271,607
	<u>3,818,083</u>	<u>-</u>	<u>3,818,083</u>
Change in net assets	251,622	(164,823)	86,799
Net assets, beginning of year	<u>4,051,455</u>	<u>607,617</u>	<u>4,659,072</u>
Net assets, end of year	<u>\$ 4,303,077</u>	<u>\$ 442,794</u>	<u>\$ 4,745,871</u>

The accompanying notes are an integral part of these financial statements.

**HEALING HOUSE, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Functional Expenses**  
**For the Years Ended December 31, 2024 and 2023**

	2024				2023			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Advertising	\$ -	\$ 12,818	\$ -	\$ 12,818	\$ -	\$ 7,654	\$ -	\$ 7,654
Bad debts	9,783	-	-	9,783	34,245	-	-	34,245
Bank charges	357	1,072	-	1,429	658	1,977	-	2,635
Charitable contributions	-	1,640	-	1,640	-	-	-	-
Contracting services	1,474	-	-	1,474	31,849	-	-	31,849
Depreciation	285,793	2,980	-	288,773	258,531	2,305	-	260,836
Drug tests	7,060	-	-	7,060	9,454	-	-	9,454
Dues and subscriptions	37,857	765	535	39,157	23,920	996	-	24,916
Education	18,856	3,552	-	22,408	21,301	1,894	475	23,670
Food & catering	207,832	8,363	689	216,884	153,417	3,163	1,581	158,161
Fuel	25,889	-	-	25,889	30,314	-	-	30,314
Fundraising expenses	-	-	118,500	118,500	-	-	117,114	117,114
Insurance	168,718	80,095	-	248,813	168,831	8,876	-	177,707
Interest	169,774	3,277	-	173,051	137,518	2,807	-	140,325
Lease expense - solar panels	15,960	7,980	-	23,940	20,109	3,831	-	23,940
Maintenance	204,379	4,171	-	208,550	263,490	10,978	-	274,468
Miscellaneous	7,580	571	-	8,151	3,844	306	-	4,150
Office expenses and supplies	53,166	5,520	2,446	61,132	65,660	6,792	3,018	75,470
Personnel costs	1,407,619	300,292	168,914	1,876,825	1,245,161	265,634	149,419	1,660,214
Postage	1,510	-	-	1,510	1,832	-	-	1,832
Professional fees	19,413	77,270	-	96,683	43,191	35,338	-	78,529
Program expenses	152,672	-	-	152,672	325,978	-	-	325,978
Property taxes	10,759	697	-	11,456	6,880	851	-	7,731
Telephone	35,174	2,343	-	37,517	30,117	3,722	-	33,839
Travel	7,852	237	-	8,089	1,255	95	-	1,350
Utilities	317,063	6,471	-	323,534	305,368	6,334	-	311,702
	<u>\$ 3,166,540</u>	<u>\$ 520,114</u>	<u>\$ 291,084</u>	<u>\$ 3,977,738</u>	<u>\$ 3,182,923</u>	<u>\$ 363,553</u>	<u>\$ 271,607</u>	<u>\$ 3,818,083</u>

*The accompanying notes are an integral part of these financial statements.*



**HEALING HOUSE, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2024 and 2023**

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 67,959	\$ 86,799
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	288,773	252,306
Amortization of deferred financing costs	9,200	8,530
Decrease (increase) in operating assets:		
Investments	6,849	12,870
Accounts receivable	(9,362)	(15,308)
Grants receivable	(1,047)	4,769
Debt issuance costs	-	(20,108)
Other current assets	(3,847)	-
Increase (decrease) in operating liabilities:		
Accounts payable and credit card payables	38,247	(31,382)
Payroll liabilities	396	4,241
Security deposits	3,245	305
Net cash provided by operating activities	400,413	303,022
Cash flows from investing activities:		
Investment in property and equipment	(399,746)	(653,892)
Investment and CD redemption (purchases)	200,000	(200,000)
Net cash used in investing activities	(199,746)	(853,892)
Cash flows from financing activities:		
Proceeds on long-term debt	-	203,385
Debt repayments	(142,174)	(127,017)
Net cash provided by (used in) financing activities	(142,174)	76,368
Net increase in cash and cash equivalents	58,493	(474,502)
Cash and cash equivalents, beginning of year	350,772	825,274
Cash and cash equivalents, end of year	\$ 409,265	\$ 350,772
Cash paid for interest	\$ 173,051	\$ 140,325

Supplemental Noncash Investing and Financing Activities:

During the year ended December 31, 2023, the Organization financed the purchase and renovations of buildings and land valued at \$168,000 with notes payable.

*The accompanying notes are an integral part of these financial statements.*

**HEALING HOUSE, INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 1 –Summary of Significant Accounting Policies**

**A. Nature of Activities**

Healing House Inc. is a community based non-profit corporation in the State of Missouri, organized exclusively for charitable purposes. Healing House Kansas City is a substance use disorder recovery organization. Our mission is to enrich the lives and spiritual well-being of all we serve and improve the safety and welfare of our community by equipping each participant with resources to maintain a healthy, self-sufficient, and purposeful life. The organization provides supportive recovery housing and substance use disorder treatment to both men and women. In 2014, Healing House began a new subsidized childcare program under the corporation name "Changing Station LLC", a disregarded entity fully (100%) owned by Healing House, Inc. In September 2019, the Boards of both organizations voted to cease operations of Changing Station and utilize the facility for other Healing House purposes, however the entity has not yet been formally dissolved. On September 27, 2021, Healing House became the sole member owner of Transformation Station, LLC, a limited liability company established to pursue social enterprise endeavors that will provide vocational training and employment opportunities for program participants, offer needed community services, and produce a modest amount of revenue to support the nonprofit mission. Transformation Station, LLC has no activities or balances for either year in the accompanying financial statements.

**B. Principles of Consolidation**

The consolidated financial statements include the accounts of Healing House and its wholly owned subsidiaries, Transformation Station LLC and Changing Station LLC (collectively, the "Organization"). All significant intercompany transactions and balances have been eliminated.

**C. Basis of Accounting**

The policy of the Organization is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned, and expenses and purchases are recognized when the obligation is incurred.

**D. Cash and Cash Equivalents**

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

**E. Accounts Receivable**

Accounts are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts. At December 31, 2024 and 2023, no allowance for uncollectible accounts was considered necessary.

**F. Property and Equipment and Depreciation**

Property and equipment are recorded at cost for all purchases over \$1,000. Donated property and equipment are recorded at their fair value on the date of the donation. Depreciation is computed under the straight-line method using the following estimated useful lives:

Commercial buildings and improvements	39 years
Residential buildings and improvements	27.5 years
Furniture, fixtures & equipment	5-7 years

**HEALING HOUSE, INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 1 –Summary of Significant Accounting Policies (*continued*)**

**F. Property and Equipment and Depreciation (*continued*)**

Major renewals and betterments greater than \$1,000 are capitalized. Maintenance, repairs, and minor renewals less than \$1,000 are expensed. Donations of property and equipment are recorded as support at their estimated fair value at the time of donation. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income.

**G. Leases**

The Organization leases solar panels. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the balance sheets. Finance leases would be included in property and equipment, other current liabilities, and other long-term liabilities on the balance sheets. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses the risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has elected to apply the short-term lease exemption to some office equipment leases. The Organization has only a small number of leases within this class of underlying asset that qualify for the exemption.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses rates implicit in the lease, or if not readily available, the Organization's incremental borrowing rate. The incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the Organization's assets. Determining a credit spread as secured by Organization assets may require significant judgment.

**H. Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

**HEALING HOUSE, INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 1 –Summary of Significant Accounting Policies (*continued*)**

**H. Net Assets (*continued*)**

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**I. Investment in Other Entities**

The Organization uses the equity method of accounting for its interest in Lykins NT Holdings, LLC. Under the equity method, investments are carried at cost or fair market value at the time of donation and increased or decreased by the Organization's pro-rata share of earnings or losses. The carrying cost of this investment is also increased or decreased to reflect additional contributions or distributions of capital. Any difference in the book equity and the Organization's pro-rata share of the net assets of the investment will be reported as gain or loss at the time of the liquidation of the investment.

**J. Revenue Recognition**

The Organization recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers, and ASC 958-605, Not-for-Profit Entities—Revenue Recognition, depending on the nature of the underlying transaction.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Unrestricted contributions are recognized as revenue in the period received or promised. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When the restriction expires (i.e., when a time or purpose restriction is satisfied), the related net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donations with donor restrictions are reported as increases in "net assets without donor restrictions" if the restrictions are met within the same reporting period that the contribution was received.

Grants and contributions that are considered nonreciprocal transactions are recognized as revenue in the period received or promised. Conditional grants are recognized as revenue when the conditions on which they depend are substantially met. The organization had no unrecognized revenue related to unmet conditions at December 31, 2024 and 2023.

Revenue from program services is accounted for under ASC 606 and is recognized as performance obligations are satisfied, which generally occurs monthly as services are provided to individuals in the community. Program services are typically billed monthly based on the number of individuals served, and consideration is due within normal payment terms (typically 30 days).

Revenue from special events is recognized when the event occurs. Amounts received in advance of the event are recorded as deferred revenue until the event takes place. Any portion of event revenue that represents a contribution (i.e., the amount received in excess of the fair value of benefits provided) is recognized as contribution revenue when received.

**HEALING HOUSE, INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 1 –Summary of Significant Accounting Policies (*continued*)**

**K. Contributed Materials and Services**

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in program expenses.

**L. Volunteers**

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations. The value of volunteer services has not been recorded in the financial statements since those services do not meet the criteria for recognition.

**M. Advertising**

Advertising costs of the Organization are expensed as incurred. For the years ended December 31, 2024 and 2023, the Organization incurred advertising expenses of \$12,818 and \$7,654, respectively.

**N. Income Taxes**

Healing House, Inc. is organized as a not-for-profit corporation and qualifies as tax exempt under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an Organization other than a private foundation. Transformation Station LLC and Changing Station LLC are wholly owned subsidiaries of Healing House, Inc. and as such, are treated as disregarded entities for tax purposes. Accordingly, no provision has been made for income taxes in these financial statements.

The Organization has adopted the provisions of FASB ASC 740-10, "Accounting for Uncertain Tax Positions". The Organization has evaluated its tax positions and does not believe there are any uncertain tax positions taken by the Organization.

**O. Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to the programs or supporting functions of the Organization. The costs of providing various programs and activities have been summarized on a natural and functional allocation basis by the Organization based on management's estimates.

**HEALING HOUSE, INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 1 –Summary of Significant Accounting Policies (*continued*)**

**P. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Q. Reclassification**

Certain amounts included in prior year have been reclassified to conform to the current year's presentation.

**R. Subsequent Events**

Subsequent events have been evaluated through September 29, 2025, which is the date the financial statements were available to be issued.

**Note 2 – Property and Equipment**

Property and equipment consisted of the following at December 31:

	2024	2023
Building and improvements	\$ 8,889,207	\$ 8,648,431
Furniture and fixtures	62,131	36,497
Vehicles	173,445	103,115
Land	340,147	340,147
Construction in progress	63,006	-
	<u>9,527,936</u>	<u>9,128,190</u>
Less accumulated depreciation	<u>(1,830,948)</u>	<u>(1,542,175)</u>
Property and equipment, net	<u>\$ 7,696,988</u>	<u>\$ 7,586,015</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$288,773 and \$252,306, respectively.

**Note 3 – Line of Credit**

The Organization obtained a \$100,000 revolving line of credit. The line of credit matures in July 2026 and is collateralized by property as well as an assignment of rents. Interest is payable at the lender's prime rate plus 1%, but no less than 5% (8.5% at December 31, 2024). There was no balance outstanding on the line at December 31, 2024.

**HEALING HOUSE, INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 4 – Long Term Debt**

Long term debt consists of the following at December 31:

	<u>2024</u>	<u>2023</u>
Note payable to a bank, payable in monthly installments of \$10,906 including interest at 4.25% with a balloon payment due at maturity in December 2025 (see note 11). This loan is secured by buildings and land.	\$ 1,510,170	\$ 1,574,462
Note payable to a bank, payable in monthly installments of \$4,981 including interest at 4.25% with a balloon payment due at maturity in April 2027. This loan is secured by buildings and land.	727,210	756,440
Note payable to a bank, payable in monthly installments of \$4,965 including interest at 4.25% with a balloon payment due at maturity in December 2025 (see Note 11). This loan is secured by buildings and land.	520,735	556,959
Note payable to a bank, payable in monthly installments of \$1,486 including interest at 6.65% with a balloon payment due at maturity in December 2028. This loan is secured by a building and land.	161,216	168,000
Note payable payable in monthly installments of \$2,835 including interest at 6.47% and with a balloon payment due at maturity in June 2038. This loan is secured by a building and land.	<u>442,288</u>	<u>447,932</u>
Total long-term debt	3,361,619	3,503,793
Less: unamortized deferred financing costs	<u>(28,948)</u>	<u>(38,148)</u>
Noncurrent maturities of long-term debt	<u>\$ 3,332,671</u>	<u>\$ 3,465,645</u>

The aggregate amounts of principal maturities for the years ended December 31 are as follows:

	Long-term Debt Principal	Unamortized Deferred Financing Costs	Total
2025	\$ 139,671	\$ (9,200)	\$ 130,471
2026	162,783	(3,452)	159,331
2027	808,986	(3,452)	805,534
2028	281,122	(3,191)	277,931
2029	154,197	(2,111)	152,086
Thereafter	<u>1,814,860</u>	<u>(7,542)</u>	<u>1,807,318</u>
Total	<u>\$ 3,361,619</u>	<u>\$ (28,948)</u>	<u>\$ 3,332,671</u>

**HEALING HOUSE, INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 5 – Net Assets with Donor Restrictions**

Net assets with donor restrictions are designated for the following purposes as of December 31:

	2024	2023
Agape 1 Renovations	\$ 50,000	\$ -
4600 St John Project	277,913	265,918
Emily's House	42,401	41,601
Erin's House	61,439	127,710
Other	6,349	7,565
Total	<u>\$ 438,102</u>	<u>\$ 442,794</u>

**Note 6 – Liquidity and Availability**

The following table reflects the Organization's financial assets as of December 31, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date for reasons such as contractual restrictions or internal board designations.

	2024	2023
Cash and cash equivalents	\$ -	\$ 107,978
Accounts receivable	83,339	73,977
Grants receivable	43,845	42,798
Other current assets	3,847	-
Total	<u>\$ 131,031</u>	<u>\$ 224,753</u>

In addition to financial assets available to meet general expenditures over the next year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Organization additionally has access to a line of credit, as discussed in Note 3. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows cash generated by operations for fiscal years ending December 31, 2024 and 2023. At December 31, 2024, the Organization's net assets with donor restrictions exceeded the cash balance on hand. This situation arose because certain restricted cash receipts were temporarily applied to operating activities during the year. The Organization is committed to replenishing these restricted funds, and the related donor restrictions remain in effect until satisfied.

**Note 7 – Concentration of Credit Risk**

The Organization maintains cash in bank deposit accounts and money market accounts at financial institutions. Accounts at the bank institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and at times may exceed this limit.



**HEALING HOUSE, INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 8 – Operating Lease**

The Organization entered into a lease agreement for solar panel systems in March 2021, however operation date did not begin until October 2021. The lease term is for 20 years and requires monthly rental payments of \$1,995 (\$23,940 annually). During the year ended December 31, 2021, energy rebates offered for the installation of the solar power system were assigned and paid by the Organization, totaling \$32,400, to the organization providing the solar panels to whom rents are to be paid. At December 31, 2024 and 2023, the Organization has recognized a lease liability of \$282,689 and \$294,091, respectively, which represents the present value of the remaining operating lease payments, discounted using a risk free rate, and a right-of-use asset of \$282,689 and \$294,091, respectively, net of amortization. As of December 31, 2024, the total minimum operating lease payments for the next five years are as follows:

Year ending December 31	Lease Payment	Amount Representing Interest	Amortization of Lease Liability
2025	\$ 23,940	\$ 12,034	\$ 11,906
2026	23,940	11,507	12,433
2027	23,940	10,956	12,984
2028	23,940	10,381	13,559
2029	23,940	9,781	14,159
Thereafter	277,305	59,657	217,648
Total	<u>\$ 397,005</u>	<u>\$ 114,316</u>	<u>\$ 282,689</u>

The following information is related to the operating leases:

	2024	2023
<u>Lease cost</u>		
Operating lease cost	\$ 23,940	\$ 23,940
Total lease cost	<u>\$ 23,940</u>	<u>\$ 23,940</u>

Other information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 23,940	\$ 23,940
--	-----------	-----------

Weighted-average remaining lease term - operating leases (in years)

16.5	17.5
------	------

Weighted-average discount rate - operating leases

4.34%	4.34%
-------	-------

**HEALING HOUSE, INC. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2024 and 2023**

**Note 9 – Donated Goods and Services**

Donated goods and services for the years ended December 31, 2024 and 2023 included in the financial statements were as follows:

	2024	2023
Clothing	\$ 8,973	\$ 108,718
Household items and furniture	47,366	70,652
Food and other misc.	1,200	3,819
Vehicles	5,000	12,000
Construction materials	-	61,000
Professional services	-	21,505
Total	<u>\$ 62,539</u>	<u>\$ 277,694</u>

The Organization did not monetize any contributed nonfinancial assets. Unless otherwise noted, contributed nonfinancial assets did not have donor restrictions for the years ended December 31, 2024 and 2023.

**Note 10 – Investment**

Shortly before December 31, 2022, the Organization received a donation of a 4.17% Class B interest in Lykins NT Holdings, LLC, a Missouri partnership. The appraised fair market value of the noncash donation was valued at \$66,182. Healing House is not obligated to contribute additional funds nor does it assume any liability for expenses incurred by Lykins NT Holdings, LLC. Summary financial information for Lykins NT Holdings, LLC is as follows as of December 31 (unaudited):

	2024	2023
Total assets	\$ 5,078,255	\$ 5,571,119
Total liabilities	3,553,788	3,662,006

**Note 11 – Subsequent Events**

At December 31, 2024, the Organization had two loans scheduled to mature in December 2025. Subsequent to year-end, the Organization received written communications from the lenders indicating their intent to refinance the loans and outlining anticipated terms. While these letters are not legally binding, management believes they provide sufficient evidence of the lenders' intent to support classifying a majority of the related debt as noncurrent in accordance with ASC 470.

In January 2025, the Organization sold a building and land, that was previously used in operations, to two employees in an arm's length transaction. The building, related improvements and land had a net book value of \$26,336 at December 31, 2024 and were sold for \$160,000.

In March 2025, the Organization acquired a building and land to be used in operations for \$187,000. This facility will be used as advanced recovery residences for men who have completed treatment, are employed, and are working toward independent living. The property was obtained with long term debt of \$140,000 and the remaining balance paid in cash.